

Message Text

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PAGE 01 OTTAWA 01244 01 OF 02 040606Z
ACTION EUR-12

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CIAE-00 INR-07 NSAE-00 COME-00 INT-05 /037 W
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R 032040Z MAR 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 2650
INFO AMCONSUL MONTREAL
ALL OTHER CANADIAN CONSULS (BY POUCH)

UNCLAS SECTION 1 OF 2 OTTAWA 1244

E.O. 11652:N/A
TAGS: EWWT, CA
SUBJECT: ST. LAWRENCE SEAWAY: FINANCIAL REORGANIZATION

REF; OTTAWA 1215

1. BEGIN SUMMARY. TRANSPORT MINISTER LANG'S PLAN FOR THE ST. LAWRENCE SEAWAY AUTHORITY HAS BEEN STRONGLY BLASTED BY CHARLES LYNCH, NATIONALLY SYNDICATED AND WIDELY-READ COLUMNIST FOR SOUTHAM PRESS. LYNCH CHARACTERIZES REORGANIZATION AS AKIN TO ALBERTA "FUNNY MONEY" EXPERIMENTS OF 1930'S AND QUESTIONS WHETHER TOLLS CAN BE SIGNIFICANTLY INCREASED WITHOUT INDUCING DIVERSIONS. END SUMMARY

2. FOLLOWING IS TEXT OF LYNCH COLUMN ENTITLED "MORE BRAVE WORDS ABOUT THE SEAWAY" AS PUBLISHED MONTREAL GAZETTE ON MARCH 3:

QUOTE. OTTAWA--THE FEDERAL GOVERNMENT'S PLEDGE TO RESTORE THE ST. LAWRENCE SEAWAY TO FINANCIAL HEALTH SOUNDS IMPRESSIVE, UNTIL WE RECALL THAT THIS IS THE GOVERNMENT THAT LET THE SEAWAY GET INTO SUCH A MESS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 01244 01 OF 02 040606Z

BRAVE WORDS ABOUT THE SEAWAY ARE PART OF THE LIBERAL CREED, AND READING THE LATEST LIST OF PROMISES YOU GET THE FEELING THAT THEY'VE NAVIGATED THESE CHANNELS BEFORE, AND RUN AGROUND.

THERE IS SOMETHING SLIPPERY ABOUT THIS LATEST OPERATION,

WHICH TRANSPORT MINISTER OTTO LANG CHOSE TO ANNOUNCE OUTSIDE THE HOUSE OF COMMONS, DESPITE THE ENRAGED DEMANDS OF OPPOSITION PARTIES THAT HE DO IT FROM HIS COMMONS SEAT. AND THERE WAS AN ELEMENT OF 'FUNNY MONEY' JIGGERY-POKERY IN THE CONVERSION OF THE SEAWAY AUTHORITY'S DEBT INTO A CHUNK OF EQUITY IN THE DITCH ITSELF, THE BALANCE BEING TRANSFORMED INTO AN INTEREST-FREE LOAN WHICH EVENTUALLY WILL BE CANCELLED. THAT SOUNDS LIKE ALBERTA-STYLE SOCIAL CREDIT, OF THE MID-30S VINTAGE.

BUT THE MAIN CAUSE FOR CONCERN LIES IN THE LABORED ARGUMENT PUT FORWARD BY THE GOVERNMENT, OUTSIDE OF PARLIAMENT, TO PROVE THAT DOUBLING THE TOLLS ON THE SEAWAY NOT ONLY WILL MAKE THE THING PAY, BUT WILL NOT INHIBIT TRAFFIC THROUGH THE WATERWAY.

WHEN YOU FINISH READING THE GOVERNMENT'S PRESENTATION, YOU GET THE FEELING THAT SEAWAY USERS ACTUALLY WILL STAND UP AND CHEER THE DOUBLED TOLLS. BUT FOR THE FIDDLING WITH THE SEAWAY'S INDEBTEDNESS, SAYS THE GOVERNMENT, TOLLS WOULD HAVE TO HAVE BEEN QUINTUPLED TO COVER COSTS AND SHOW A PROFIT.

IN DOCUMENTING THE SEAWAY'S BLEAK FINANCIAL RECORD, THE GOVERNMENT INSISTS ON THE VALUE OF THE SEAWAY TO THE CANADIAN ECONOMY, AND SAYS IT HAS BEEN AN OPERATIONAL SUCCESS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 01244 01 OF 02 040606Z

THE ORIGINAL OBJECTIVES OF THE SEAWAY, IT WAYS, (SIC) WENT ASKEW FOR SEVERAL REASONS THAT WERE NOT FORESEEN WHEN THE SEAWAY OPENED IN 1959, NAMELY: 'A SLOW BUILD-UP OF TRAFFIC IN THE EARLY YEARS OF SEAWAY OPERATION, A STEADY INCREASE IN OPERATION AND MAINTENANCE COSTS, AND AN INCREASINGLY HEAVY BURDEN OF INTEREST CHARGES.'

HAVING MISCALCULATED TO THE EXTENT OF A BILLION DOLLARS OR MORE, THE GOVERNMENT NOW INVITES US TO ACCEPT ITS FORECASTS FOR THE NEXT 15 YEARS.

AMONG THE THINGS THAT WE ARE ASKED TO TAKE ON FAITH ARE THESE:

--THAT THE PROPOSED DOUBLING OF TOLLS WILL HAVE LITTLE OR NO ADVERSE IMPACT ON THE RATE OF GROWTH IN SEAWAY TRAFFIC.

--THAT THE PROPOSED DOUBLING OF TOLLS WILL NOT THREATEN

THE SEAWAY'S COMPETITIVE POSITION FOR BULK COMMODITIES
LIKE GRAIN, IRON ORE AND COAL, WHICH ACCOUNT FOR MORE
THAN 75 PER CENT OF SEAWAY TRAFFIC.
--THAT IN MOVING WESTERN GRAIN TO ATLANTIC PORTS, THE
RAILWAYS AND THE SEAWAY ARE COMPLEMENTARY RATHER THAN
COMPETITIVE.

--THAT THE MAIN SEAWAY USERS HAVE BUILT SO MANY
EXPENSIVE INSTALLATIONS ALONG THE WATERWAY, THEY

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PAGE 01 OTTAWA 00002 080132Z
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UNCLAS SECTION 02 OF 02 OTTAWA 01244

C O R R E C T E D C O P Y (MRN 01244 VICE 00002)

CANNOT AFFORD TO DIVERT THEIR TRAFFIC.

--THAT THE QUESTION OF SHIPMENTS OF U.S. COAL THROUGH
THE WELLAND CANAL, FOR ONTARIO HYDRO AND THE HAMILTON-
AREA IRON AND STEEL PRODUCERS, MAY BE ACADEMIC BECAUSE
'WESTERN CANADIAN (SIC) COULD PROVIDE AN ALTERNATIVE
AND THE FUTURE PRICE AND AVAILABILITY OF UNITED STATES
COAL EXPORTS ARE UNCERTAIN.'

--THAT VERY LITTLE CARGO CONSIGNED TO ONTARIO PORTS
GOES THROUGH THE WELLAND CANAL, THE ROUTE BEING USED
FOR LESS THAN 35 PER CENT OF THE WHEAT CONSUMED IN
ONTARIO--'IT IS DIFFICULT TO SEE HOW THE PRICE OF BREAD
COULD BE INCREASED AS A RESULT OF A TOLL INCREASE
THEREFORE.'

SOME OF THIS IS HARD TO SWALLOW, REPRESENTING AS IT
DOES THE WORK OF MINIONS IN LANG'S MINISTRY, UNDER

ORDERS TO PRODUCE FIGURES TO PUT THE BRIGHTEST POSSIBLE
FACE ON A BAD SITUATION, AND MAKE THE CURE SOUND BETTER
THAN THE DISEASE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 00002 080132Z

STATISTICS CAN BE MADE TO PROVE ANYTHING, AND PROJECTIONS
IMPOSE NO LIMIT ON BUREAUCRATIC IMAGINATIONS, ESPECIALLY
IN TRANSPORT CANADA, WHICH HAS BROUGHT US SUCH GREAT
SCHEMES AS PUTTING THE AIRPORTS ON A PAYING BASIS, AND
HARNESSING THE FORCES OF COMPETITION TO PRODUCE PROFITS
THROUGHOUT THE TRANSPORTATION SYSTEM.

'THIS ACTION,' SAYS LANG, 'IS INTENDED TO MAKE THE ST.
LAWRENCE SEAWAY THE SELF-SUPPORTING CORPORATION IT WAS
ORIGINALLY INTENDED TO BE.' TIME WILL BE THE JUDGE
OF THAT, IF LANG CAN GET HIS PACKAGE THROUGH PARLIAMENT
AND GAIN THE ACCEPTANCE OF SEAWAY USERS AND THE
AGREEMENT OF OUR SEAWAY PARTNER, THE UNITED STATES.
UNQUOTE. LEARY

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